THE STATE OF WYOMING

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April 3, 2000

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Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Ms. Salas:

Enclosed are copies of the Comments of the Wyoming Public Service Commission in the four listed dockets, each related to the CALLS proposal. These comments are duplicates of those filed electronically on April 3, 2000, confirmation number 200043064504.

I have enclosed an original and four copies. Additionally, copies are being individually sent to each of the Federal Communications Commissioners.

Thank you for your attention to this matter.

Sincerely,

Denise Kay Parrish
Supervisor, Rates and Pricing

Enclosure

Before the Federal Communications Commission
Washington, D.C.

In the Matter of

Price Cap Performance Review for Local Exchange Carriers	))	CC Docket No. 94-1
Federal State Joint Board on Universal Service	))	CC Docket No. 96-45
Low-Volume Long Distance Users	)	CC Docket No. 99-249
Access Charge Reform	)	CC Docket No. 96-262

COMMENTS OF THE WYOMING PUBLIC SERVICE COMMISSION
April 3, 2000

The Wyoming Public Service Commission (WPSC) hereby submits its comments to the Federal Communications Commission (Commission) in the revised plan of the Coalition for Affordable Local and Long Distance Service (CALLS). The WPSC is the agency of the government of the State of Wyoming having the jurisdiction to regulate, *inter alia,* the intrastate activities of telecommunications companies serving in Wyoming. As such, the WPSC is an interested party to this proceeding. Additionally, the WPSC has been a full participant in the Federal-State Board on Universal Service (Joint Board) process, in that it has previously filed comments, used the ex parte process to communicate its concerns about low density, rural state status to individual Joint Board members and currently has a Petition for Reconsideration pending before the FCC. We believe that this CALLS proposal simply aggravates the already underfunded universal service situation that exists for Wyoming customers.

On March 8, 2000, the FCC released for comment the revised CALLS plan. As we see it, this plan basically attempts to relieve the interexchange carriers of any obligation to support the federal universal service fund, shifting the burden of the universal service funding from the interexchange carriers to the local end users, while underfunding the total level of support needed. While the WPSC does not object to the concept of industry- wide access charge reform, such reform must not be done without assuring that all rates — both local and access — remain reasonably priced and affordable. The reform must include "specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service."[1] On its face, this plan fails to meet the Universal Service Principles of the Federal Act.

The Modified CALLS Plan

As described in the *Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service,* the modified CALLS plan is comprised of three essential and interdependent parts. First, the plan claims to establish an explicit and portable universal service support mechanism of $650 million, replacing support that currently is implicit in interstate access charges. Second, the plan claims to consolidate and simplify the existing network of loop charges, eliminating certain of the current charges. Third, the plan claims to provide for an immediate $2.1 billion reduction in per minute switched access charges and, in addition, guarantees reductions in special access rates. As explained below, the WPSC has concerns with each of these three points of the modified CALLS proposal. Overall, we are concerned that the data, limited as it is with few of the underlying studies made public, may not support many of these claims. Clearly, the proposal is in the best interest of specific carriers, and not the end users at large.

Universal Service

The first point made by the proponents of the plan is in regard to universal service. As found on the CALLS Fact Sheet, dated July 28, 1999:

> Access charge reform puts the guarantee of affordable, reliable phone service for all Americans on sounder economic footing. The CALLS proposal creates a $650 million interstate access universal service fund to help defray the cost of providing phone service in high costs areas such as rural America. Rural Americans get the absolute assurance that their rates will not rise above $7 per month, and will stay comparable to rates in urban and suburban areas. In addition, rural customers in high cost areas will be more attractive to all competitors, and thus Rural Americans will be more likely to be able to choose among telecommunications companies and to better value, service, products and prices that come from increased competition.

The $650 million proposed universal service fund does not change with the revised CALLS plan. However, the veracity of the $650 million fund size is put into doubt, even by the plan's proponents, when they make statements such as "Given the **difficulty of determining the size** of the fund and the level of SLC caps. . :" and "It ensures that . . .**most areas** also receive support to permit geographic deaveraging of SLCs" and "the Commission will gain experience and **develop**

[1] Section 254(b)(5) of the 1996 Telecommunications Act.

empirical basis. . ."[2] [Emphasis added.] These are all highly qualified statements that presume that the $650 million is enough support without showing that to be the case. The empirical data regarding the necessary size of the fund should be developed ***first,*** not five years after increased charges are placed on the local portion of end user bills.

Even more telling is the proponents' statement that the $650 million establishes a "specific" and "predictable"amount of support. Nothing is said about the ***sufficiency*** of this amount, another key element of the universal service fund principles mandated by the United States Congress in Section 254 of the 1996 Telecommunications Act. It is not clear that $650 million in explicit support is anywhere near enough support for the plan, when the estimates ranged from $250 million to $3.9 billion, according to the proponents of the revised plan. According to footnote 10 of the supporting memorandum, the majority of proponents of the plan take issue with a citation of AT&T's model-based calculation.

Finally, it is not clear how large the universal service fund will be if it is instituted only on a voluntary basis by the proponents of the plan — absent agreement from significant market participants such as MCI/WorldCom and U S WEST. Will the lack of participation by these carriers limit the amount of revenue that can be collected and redistributed as universal service, to the point where the plan is no longer viable? Without additional public data to be scrutinized, do we know if the proposed voluntary nature of the plan only works if this plan is foisted upon the entire industry? And, shouldn't the fact that some of the major industry participants do not find this plan to be either in their best interest or the best interest of their customers give the FCC a reason to pause and determine what the public interest really is in this case?

Local Loop Charges

The second point contained in the CALLS proponents' supporting memorandum is that loop charges are simplified. This simplification consists of combining charges so that customers are no longer fully informed of the items for which they are paying. Rather, it will simply appear to the customer as if local service rates have increased. Additionally, and of most concern to the WPSC, the local, end user charges will increase with only a limited amount of additional federal universal service funds slated to provide an offset to these rate increases. The bulk of any rate decreases incorporated into the plan, are directed toward the rates paid by carriers, not customers, as discussed below.

The revised plan calls for increases in the subscriber line charge (SLC). On the following schedule, the SLC caps for single line residence and business would change from the current level of $3.50 per line per month, to:

[2] *Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service,* page 9.

July 1, 2000	$4.35
July 1, 2001	$5.00
July 1, 2002	$6.00
July 1, 2003	$6.50

The proposal further indicates that an investigation should be initiated during this period of increases, to verify that a SLC cap that exceeds $5.00 is appropriate in the zones where they would apply. Again, this puts the cart before the horse, in that any investigation that examines whether rates are cost-based should occur before rates are increased — not after a schedule of planned increases is adopted. Additionally, the plan allows the FCC to review these SLC rates to determine if they are cost based but does not link any results of the investigation to the other interrelated portions of the plan — such as the rates for switched access service or the level of universal service. These items are all treated separately, some almost seeming to be carved in stone no matter what else changes, such as the $650 million level for additional universal service support. This is odd for a plan that claims to be "a carefully balanced and intricate resolution of the thorny issues of universal service and access charge reform."[3]

The WPSC is extremely concerned about any additional increases on local, end use customer bills while the current level of federal universal service fund support remains inadequate for non-rural carriers in rural states. In Wyoming, U S WEST customers[4], except for those who live within a few miles of the central office, i.e., the base rate area, pay the following for basic, dial tone and interexchange access service:[5]

[3] *Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service,* page 16.

[4] It is estimated that more than 20% of U S WEST's Wyoming customers pay the level of rates provided in the example.

[5] A few of the taxes and surcharges are estimated in the example since, for instance, the local municipality charge would be dependent upon the customers location, as would a few of the other charges. However, this summary is extremely representative of the bill paid by a rural Wyoming customer for only local service.

Single Party Residential or Business Line (Rural)	$34.81
Number Portability Surcharge	$ 0.43
Subscriber Line Charge	$ 3.50
Telephone Assistance Plan (Lifeline)	$ 0.01
State Universal Service Fund (estimate)	$ 1.50
Wyoming Relay	$ 0.07
9-1-1 Surcharge	$ 0.50
Municipal Charge (estimate)	$ 0.63
Federal Excise Tax	$ 1.25
State Tax	$ 1.70
National Access Contribution (from IXC)[6]	$ 2.89
Total	**$47.29**

This rate of more than $47 a month for dial tone and interexchange carrier access is net of, i.e., it already passes on to customers, the currently received state and federal universal service fund support. Without the current level of state and federal universal service fund support, this customer's bill could be as much as $35 higher[7] than this price that clearly fails the federally mandated comparability test. **And now, CALLS proposes to add up to $3.50 per month more to this bill**

[6] As shown on the AT&T portion of a bill for a U S WEST customer in Wyoming, this consists of a universal service charge of $1.38 and a carrier line charge of $1.51.

[7] Figures given are for U S WEST approved forward-looking cost based rates for Zone Three. The local service rate of $34.81 is derived with the following calculation:

Total Service Forward Looking Cost Based Rate of	$23.10
Forward Looking Cost based Zone Three charge of	46.25
Federal Universal Service Fund Credit of	(12.25)
Wyoming Universal Service Fund Credit of	(22.29)

Sprint also has local, forward-looking cost based rates in Wyoming, with its highest rate for its cost rural Wyoming area established at more than $90 per line per month after accounting for currently received federal universal service support but before accounting for state universal service fund support.

without any additional federal universal service fund support.[8] This proposal clearly fails the comparability and sufficiency test of Section 254.

CALLS next argues that, "As a result of reducing the primary residence/single line business SLC cap from the original CALLS plan and consolidating the residential/single line business SLC and PICC charges, most customers will see their total combined SLC and PICC - 'pass-through' line charges fall by \$0.65 on July 1, 2000. . ."[9] This purported decrease constitutes a 1.34% reduction of a bill that is more than twice the average urban area residential monthly charge for local service.[10] In addition, this purported reduction turns around and disappears one year later when the SLC cap is proposed to increase to \$5.00 per single residential or business line per month. This year two \$1.50 increase would only be offset by the elimination of the PICC charge, which is currently established at \$1.04[11] — leaving a net increase for the end use customer.

Furthermore, the CALLS proposal adds a new, additional charge to the end user bill. The proposal mandates an explicit charge to pay for moving the universal support subsidy from access charges to end users. While the size of the charge is not explicitly stated in any of the public documents reviewed, its impact will be to relieve interexchange carriers from funding any of this cost of universal service and move that cost directly to end users. Whether this charge is an additional \$0.25 or many dollars, it is clearly too much for rural Wyoming customers to handle alone, given their current prices.

The solution to rural customers offered by CALLS is that "even the most rural customers can largely offset increases by selecting an appropriate long distance calling plan."[12] What plan would

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[8] The revised CALLS proposal increases the SLC charges and allows for these charges to be deaveraged, within certain parameters and based on certain conditions. Once deaveraged, if at all, additional federal universal service support would be provided once a SLC exceeded a monthly rate of \$7.00 monthly for single line residential and business customers. This would double the current SLC charge with no additional support from the federal universal service fund.

[9] *Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service,* page 3.

[10] Page 314 of the *Statistics of Communications Common Carriers 1998/1999 Edition,* shows that the Average Residential Rte for Local Service in Urban Areas, as of October 15, 1998, was \$19.85, consisting of a monthly charge of \$13.77, a subscriber line charge of \$3.55, touchtone charges of \$0.10, and other payments of \$2.44.

[11] U S WEST Communications Tariff F.C. C. No. 5, 9th Revised Page 4-12, Section 4.7.2.

[12] CALLS Proposal Fact Sheet, dated July 28, 1999.

that be? The plan where a customer must choose between having a telephone or buying food? Or, the plan where AT&T has offered to reduce the minimum charge as long as the customer has no toll charges and perhaps, only then if all other major carriers will do the same? Or, where they can pay a service charge of $4.95 or more for the right to make toll calls at reduced per minute rates? The answer is not a new or modified array of calling plans for rural customers. The answer is additional universal service fund support as mandated under the 1996 Telecommunications Act.

Reductions in Access Charges

The third major point of the revised CALLS plan is the immediate implementation of a $2.1 billion reduction in per minute switched access charges, along with guaranteed reductions in special access rates. Specifically, already slated productivity factor, i.e., X-factor, reductions would be primarily targeted to reduce the switched access usage rates to $0.0055 for the Bell Companies. Both AT&T and Sprint have purportedly committed to flowing these savings through to residential and business customers *over the life of the plan.*

Does this mean that more than $2 billion dollars of access reductions could be pocketed or diverted by AT&T and Sprint and other interexchange carriers for several years (noting that the proposal is a five year plan) before returning any of that cost savings to customers? And what about the more than 40% of interstate toll customers who use someone other than AT&T or Sprint?[13] Do they get nothing in return for increased local rates?

The WPSC does not object to switched access reform or switched access price reductions. Nor do we object to local service being assigned the entire, direct cost of the local loop. In fact, we too have been transitioning switched access costs to their forward-looking cost over the past several years and in the process, have eliminated intrastate carrier common line rates for U S WEST. We also note that consistent with earlier FCC orders on access reform, U S WEST has already eliminated its interstate carrier common line charge. However, on the intrastate basis, the reductions in access charges with accompanying increases in local rates were only feasible with the implementation of a state universal service fund. This state universal service fund is now straining under the weight and size of the support that it must provide. Adding more to it will break its back. Additional federal universal service fund support must accompany any plan that moves implicit subsidies from access charges to explicit local service charges.[14]

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[13] According page 9 of the *Statistics of Communications Common Carriers, 1998/1999 Edition,* the Total Toll Service Revenues — Market Share for MCI/WorldCom and All Other Long Distance Carriers (other than AT&T or Sprint) are 23% and 18.7%, respectively.

[14] Section 254 (b) (3) requires both Federal and State support mechanisms that are specific, predictable and sufficient to preserve and advance universal service.

Conclusion and Recommendations

The WPSC fears that the FCC has put the revised CALLS plan on a train on a fast track. This train must be slowed, if not stopped entirely. Rather than pushing ahead with a plan that does not have industry-wide consensus and support, the FCC should:

- Publish the data that supports the CALLS number of $650 million for adequate additional universal service fund support — data that the states of Texas, Washington, Wyoming, and others fear may be the result of compromise and not real need — and let the Joint Board and other interested parties study it and comment on it.
- Reconsider your decision on universal service funding for non-rural carriers and wait for the recommendation from the Rural Task Force to truly make a comprehensive look at universal service and access reform issues — rather than continuing to piece-part this issue and as CALLS continues to encourage.
- Survey customers in both rural and urban parts of the country to see what constitutes "reasonable and affordable" rates for quality services — keeping in mind that this was the number one Universal Service Principle contained in the 1996 Federal Act.
- Examine, using data that is made public and subject to comment, whether there are differences in regional, or urban versus rural, traffic patterns that disproportionately spread the benefits of this plan to one group at the expense and detriment of another.
- Examine whether the proposal will work on a voluntary only basis by the carriers in the CALLS Coalition, or whether the plan only works when mandated for the entire industry — in contravention of the manner in which the voluntary program is presented.
- Ensure that the plan includes specific, predictable, and sufficient federal and state mechanisms to preserve and advance universal service.

This plan must not be mandated in its current form or without additional public scrutiny. Any access reform plan adopted by the FCC must not advantage one set of customers over another. Rural customers must not be left behind to advantage urban customers. Residential customers must not pay for reductions to larger business customers. End use customers must not carry a disproportionate burden of maintaining universal service so that interexchange carriers can pocket cost reductions. We realize the difficulty of developing an access reform plan that is equitable. We recognize the difficulty and seemingly slow-pace of the public process at a time when the industry is changing daily. However, we urge you not to trade expediency for equity.

Respectfully,

Steve Ellenbecker
Chairman

Kristin H. Lee

Kristin Lee
Commissioner